

AUG 12 1949

FOR RELEASE
AUG. 12, P. M.

1.941
587g82th **AGRICULTURAL OUTLOOK DIGEST**

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

WASHINGTON, D. C.



JULY 1949

Prospects for further weakening in demand and near-record crop production point to a slightly lower level of farmers' prices in the next few months.

Midsummer found the all-crop outlook not quite as bright as last year; but otherwise it was the best in our history. Farmers had the biggest acreage in production since 1933. Conditions July 1 indicated an output 31 percent above the 1923-32 average.

With a near-record bushel corn crop in the making, feed grains were the biggest contributor to overall prospects on July 1. The oats harvest will be above average while the barley crop will be relatively small. We probably will produce less sorghum grains than last year.

Conditions for wheat turned for the worse in June and the July 1 estimate was down 148 million bushels from a month earlier. This dropped the supply below the level that would require the Secretary of Agriculture to proclaim marketing quotas for 1950. But the crop will be well over a billion bushels and one of the largest. The rye crop probably will be less than 20 million bushels. A record rice crop is in prospect.

Cotton acreage is a seventh larger than last year; development by July 1 was advanced for the date. The third largest flaxseed crop on record was indicated. Soybean and peanut acreage is below 1948. Tobacco production will be up a little from last year. Potatoes may cause fewer surplus headaches this year since the crop is well below 1948.

Prospects for most deciduous fruits are better than last year and average. Citrus fruits, especially grapefruit and lemons, are down from 1948. Hay production will be slightly smaller than last season.

This is the way it looked for major crops as the second half of 1949 began. However, there still was time for prospects to change for better or for worse.

Prospects for a weakening in demand stem from the declines that continue to highlight the economic picture.

Industrial output in June was down to 13 percent below the peak of last fall. Steel production has dropped a fifth from the March peak. Consumer income continues its gradual decline but is above the level of a year ago.

Unemployment hit a postwar high of 3.8 million in June. Total employment for the month was up 900,000 from May to 59.6 million. Increases in both employment and unemployment were possible because more people, especially students, were job hunting.

While declines are widespread, there are important exceptions. Spending for construction was a record the first half of 1949 and for the year may exceed 1948. Spending by business for plant and equipment also topped the first half of last year and is expected to continue at a high rate in the third quarter. The number of new houses started was only 6 percent below the first half of 1948, despite the slump early this year.

Changes in the price indexes recently have been small and the directions mixed. Wholesale prices showed weakness in June and early July, then strengthened. Both prices received by farmers and prices paid by farmers including interest and taxes declined slightly from mid-June to mid-July. Prices paid by urban consumers climbed fractionally from May to June.

FARM INCOME The 14 billion dollars farmers are estimated to have received from marketings in the first 7 months of 1949 was about 9 percent less than a year earlier. Livestock and products brought about 8.6 billion, 12 percent less than last year. Crop receipts at 5.4 billion were down slightly.

LIVESTOCK AND MEAT Cattle and sheep producers are showing more tendency to hold onto their breeding stock than in recent years.

A fifth fewer cows were slaughtered under Federal inspection in the first 5 months of 1949 than in the same period of 1948 and a fourth fewer than in 1947. This may indicate that cattle breeding herds are being maintained and possibly increased.

Evidence that the decline in the sheep population may be slowing down: In January-May, 32 percent fewer sheep and 18 percent fewer lambs and yearlings were killed under Federal inspection than last year.

DAIRY PRODUCTS Higher prices for dairy products are likely in coming months. Milk production will fall seasonally. Support prices for butter advanced July 27 and support prices for nonfat dry milk solids will increase September 1. In mid-July, wholesale prices of manufactured dairy items ranged from 10 percent to 30 percent below last summer.

POULTRY AND EGGS Large marketings of chickens are in prospect the next few months. Supplies of red meats and other competing foods also are expected to be large. Consequently, chicken prices are not likely to make a full recovery from the declines of recent months.

Prospects for a record or near-record supply of turkey meat this fall and winter already have been reflected in lower prices. In the New York wholesale market recently, prices were about a fourth less than a year ago.

Egg prices have been moving up seasonally and in mid-July farmers received an average of 45.3 cents.

FATS AND OILS Farmers have planted a larger acreage to oilseed crops this year than last. However, oil-crop yields per acre may not equal last year's record levels.

Margarine output hit a peak of 909 million pounds in 1948, 163 million pounds more than the former record of 1947. Consumption also reached a new high. Disappearance into civilian trade channels was 6.1 pounds per person, 3.4 pounds more than the 1937-41 average.

Ninety-eight percent of the fats and oils used in margarine were produced in the U. S.; nearly all of it was cottonseed and soybean oil.

Margarine consumption this year may fall off from the 1948 level. Butter production in the first half of 1949 was well above a year earlier and prices were down substantially. However, lower prices for vegetable oils may partly offset the price reduction in butter.

FEEDS With large stocks from 1948 crops on hand and the production outlook promising, total supplies of feed concentrates may set a new record in the 1949-50 season. Supplies per animal unit also may be a record, even though numbers of livestock to be fed are increasing.

Large supplies probably will cause some seasonal weakening in prices this fall. Tending to strengthen prices, however, are the 1949 loan programs and large storage holdings of 1948 crops.

WHEAT Peak movement of hard winter wheat was not as heavy as expected and storage space has been ample. Movement from soft wheat areas, however, has been heavier and prices weaker.

Wheat prices probably will advance gradually after peak market movement is past; may average near loan level for marketing year as a whole.

FRUITS AND VEGETABLES As deciduous fruits are marketed from the above-average crops, prices are likely to decline more than seasonally. Citrus fruit prices are expected to continue high. Only small supplies remain from 1948-49 crops.

Farmers' prices for fresh vegetables are likely to average slightly lower than last year. For products for which supplies will be smaller in 1949, however, higher prices are likely.

The smaller potato crop in prospect may partly offset weaker demand due to decline in consumer income. Prices this year may average above support level which is considerably lower than last year.

COTTON Domestic consumption of cotton declined more than seasonally in June and at 600,000 bales was 200,000 below June 1948. Exports through May this season were nearly 2 1/3 times as large as in the same period last season.

TOBACCO Prices for flue-cured tobacco are expected to average below the 1948 record. This year's supply is slightly above 1948-49; the support price is 42.5 cents per pound compared with 43.9 last season.

Output of cigarettes -- main outlet for flue-cured -- again set a new record in the year ending June 30. Consumption is expected to continue high in the coming year.